Aircraft Owners and Pilots Association

Testimony before the Transportation Committee

Aviation Informational Forum

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Introduction:

By way of introduction, the Aircraft Owners and Pilots Association (AOPA) is a not-for-profit membership organization that represents the general aviation interests of over 400,000 members nation-wide, including over 4,812 pilots and aircraft owners in the state of Connecticut. Since 1939, AOPA has been committed to ensuring the safety, future viability and development of general aviation airports and their facilities as part of our national transportation system.

Prior to addressing today's subject matter, I would like to express my sincere gratitude to members of the Legislature for taking a serious interest in the property and sales tax issue that was before the Legislature during the last session. Members prudently analyzed and evaluated the potential unintended consequences of this proposal and credibly conveyed their concerns to the Governor's staff. This legislative review averted the decimation of the aviation industry in Connecticut.

Business Aviation:

While previous speakers have addressed turbine aircraft, AOPA's primary advocacy centers on light single and twin engine aircraft. While these aircraft do not receive the same notoriety as turbines, they are critical to the mission of general aviation. Besides playing an important role for law enforcement, firefighters, search & rescue operations, medical evacuation and even organ transportation, light aircraft also facilitate the business interests of small and medium sized corporations and enterprises as follows:

- Agriculture
- Physicians and nurse anesthsiologist, who use aircraft to treat patients in rural areas
- Attorneys using small aircraft to meet with clients beyond the boundaries of the state
- Small manufacturing plants use small aircraft to transport clients to their manufacturing facilities

- Audio and lighting corporations use aircraft to facilitate large outdoor events around the country
- Marketing and communication companies
- Recycling companies
- Modular medical device operators deliver these products to hospitals located in smaller U. S. cities without the availability of commercial airports

Recently, a chief executive officer in characterizing the value of their company aircraft stated: *"Our business aircraft give us the chance to be a local company to clients, even though we are 400 miles away."*

Secondary Benefits of Aviation:

In addition to the direct benefits realized by general aviation, there are numerous secondary benefits rarely considered by government officials or legislators. The maintenance of aircraft is heavily regulated by the Federal Aviation Administration (FAA), requiring aircraft to be maintained in an "airworthy" condition. Compliance with these regulations combined with ordinary repairs on engines, airframes and avionics is a very costly endeavor. As a result, aircraft owners will shop very carefully for price and service, including tax-friendly states, since sales tax on expensive repairs adds substantially to the owner's repair costs. Connecticut is perceived as a "tax friendly" state by pilots and aircraft owners accounting for the 101 repair stations in the state. Connecticut's repair stations substantially exceed the number of similar businesses in New England, with Massachusetts having the second most repair stations at 58. Equally impressive, these Connecticut repair stations have created 7,503 good paying jobs with a total economic impact of $785.3M. Many of these repair stations attract as many as 50% of their customers from neighboring states, which is the reason this industry can support over one hundred repair stations.

Charitable Aviation Outreach Programs:

The ultraistic nature of pilots and aircraft owners serves to support a number of charitable endeavors, such as:

- Angel flights, a program designed to transport severely ill patients and their families to specialty hospitals for better healthcare without any transportation costs.
- Disaster relief in Haiti and many other disaster sites in the U. S. and around the world. Small aircraft are utilized to deliver medical supplies, food and water to outlying areas of the country, which are not accessible by large aircraft.

- Veteran Airlift Command is an organization that provides free air transportation to wounded veterans and their families.

Pilots and aircraft owners have continually demonstrated a humanitarian spirit and compassion to serve those less fortunate among us.

Education:

Recently, a group of successful businessmen attended a conference to discuss the growth of aviation in America. During the course of the discussion, there appeared to be unanimity among the group that they valued their pilot's certificate more than their advanced business degrees. While initially these claims appeared to be counterintuitive, it was further explained flight instruction taught a valuable skill set that was easily transferrable to their respective careers such as:

1) Piloting requires precision control and great attention to detail.

2) Pilots are required to make critical decisions, so good judgment is imperative.

3) During an in-flight emergency, pilots are taught to remain calm and to focus on the most important issues providing the best prospect for a successful outcome.

Successful people use these same skill sets to facilitate their respective talents, careers or businesses.

Conclusion:

Remember, aviation businesses provide highly skilled well-paying jobs, while generating broad tax and social benefits statewide. It should also be considered that by its nature, aviation does not recognize state lines. Aircraft owners and corporations operating in the New England states will likely choose favorable environments for the purchase and service of their aircraft. AOPA continues to believe that with the right tax and business climate, general aviation can play an ever increasing role in Connecticut's prosperity.

Connecticut Aviation Maintenance Industry Fact Sheet

The civil aviation maintenance sector is an important part of the aerospace industry and the U. S. economy. Nationwide, civil aviation maintenance companies employ 274,634 workers and the industry's economic impact is $39 billion per year. The industry also has a strong positive balance of trade, estimated at $2.4 billion per year.

Independent repair stations account for the majority of the industry's jobs and economic activity. Repair stations collectively employ 199,913 workers. These companies, the majority of which are small businesses, are closely regulated and receive their "license to do business" (known as a repair station certificate) from the Federal Aviation Administration. Repair stations are highly specialized and get better return on investment in training, equipment, facilities, etc. Airlines therefore rely on them to reduce costs while achieving the highest level of safety.

Aviation maintenance is an important part of the economy in Connecticut:

Repair stations in Connecticut employ 7,503 workers. The aviation maintenance industry (repair stations, plus airline base and line maintenance, and parts distribution and manufacturing) employs 12,109 workers in Connecticut.

The annual impact of repair stations and airline base and line maintenance on Connecticut's economy is $785.3 million.

The aviation maintenance industry's total annual impact on Connecticut's economy is $2.291 billion.

This information was developed by AeroStrategy for the Aeronautical Repair Station Association (ARSA) based on 2009 government and industry data. ARSA is an Alexandria, Virginia-based trade association that represents aviation maintenance and manufacturing companies. The association has a distinguished 25-year record of advocating for repair stations and providing regulatory compliance assistance to the industry. More information about ARSA is available at http://www.arsa.org.

This document, fact sheets for other states and recent economic reports about the aviation maintenance industry are available at http://www.arsa.org/IED or http://www.arsa.org/files/IED-Connecticut.pdf

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Economic Impact Comparison Among Connecticut & Neighboring States

	*Repair Stations**	*Jobs*	*Economic Impact*	*Total Based Aircraft***
Connecticut	101	7503	$785.3 Million	3188
Massachusetts	58	1740	$257.1 Million	4300
New York	129	6112	$865.9 Million	8973
Rhode Island	9	294	$30.4 Million	481

*Data obtained from the Aeronautical Repair Station Association's industry fact sheets

**Data obtained from the Alliance for Aviation Across America

Benefits Associated with Maintaining & Repairing Aircraft In Connecticut

When tax policy discussions emerge from the Legislature regarding the value of maintaining the current sales tax exemption on aircraft labor and parts, members of the Legislature frequently do not have a reference point, from which to make an evaluation or analysis. The purpose of the following chart is to reflect the costs associated with the repair of both light single-engine and turbine aircraft. Unlike automobiles, in which the owners are allowed to defer maintenance, aircraft repair is strictly regulated by the FAA, to ensure aircraft maintain their airworthiness.

The chart set forth below reflects some of the more common repairs associated with light single-engine and jet aircraft. Based on the repair costs reflected below, aircraft owners will shop very carefully for price and service. Sales tax on aircraft repairs creates a significant incentive for aircraft owners and aviation businesses to fly their aircraft to tax friendly states for expensive repairs and maintenance. Given Connecticut has the history of being a tax friendly state, repair and avionic repair stations in the state attract out of state customer enhancing the profitability of these businesses, which leads to more good jobs and benefits for Connecticut residents.

Reciprocating Engine Aircraft

Example: A non-complex single-engine aircraft

Repair	Costs
The FAA requires every aircraft to undergo an annual inspection, in which the inspector carefully examines the engine and airframe for any mechanical failures.	$7,000
In some instances, the FAA requires a 100-hour inspection of the engine and airframe for any mechanical failures.	$4,000
Manufacturers typically recommend reciprocating engines be overhauled after the engine has exceeded 2,000 hours.	$38,000
Propeller repair.	$8,000 - $12,000
Maintain and repair landing gear.	$2,000
Maintain and repair electric flaps.	$1,200
Communication and navigation radio upgrades (per radio).	$10,000
HIS (navigation equipment).	$15,000
Emergency locator transmitter required by FAA on all aircraft.	$1,800

Turbine Engine Aircraft (Jets)

The FAA requires a comprehensive inspection of jet aircraft, such as the Falcon 2000 at 12-year intervals. This inspection, which typically requires 6- weeks, examines the engine and airframe of the jet aircraft.	$600,000
A Gulfstream jet aircraft requires a comprehensive mechanical inspection at 96-month intervals. This inspection, which typically requires 8-weeks to complete, examines the engine and airframe of the aircraft.	$500,000
As with reciprocating engines, the FAA requires jet engines to be completely overhauled at certain intervals depending upon the type of aircraft. These engine overhauls are extremely expensive.	$300,000 - $1 million per engine
Jet aircraft undergo regular modifications during the time they are in-service. These modifications range from repainting the exterior of the aircraft, re-fabricating the interior of the cockpit and passenger area, as well as revamping the entire communication and navigation system with updated technology.	$50,000- $1 million